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Performance: YTDApr30: ‘96 116.9%; ‘97 28.1%; ‘98 36.4%; ‘99 39.4%; ‘00 180.9%; ‘01 -50.5%; ‘02 18.7%; ‘03 28.8%; ‘04 166.7%; ‘05 28.2%; ‘06 153.3%; ‘07 8.8%; ‘08 -25.2%; ‘09 -50.3%; ‘10 162.3%

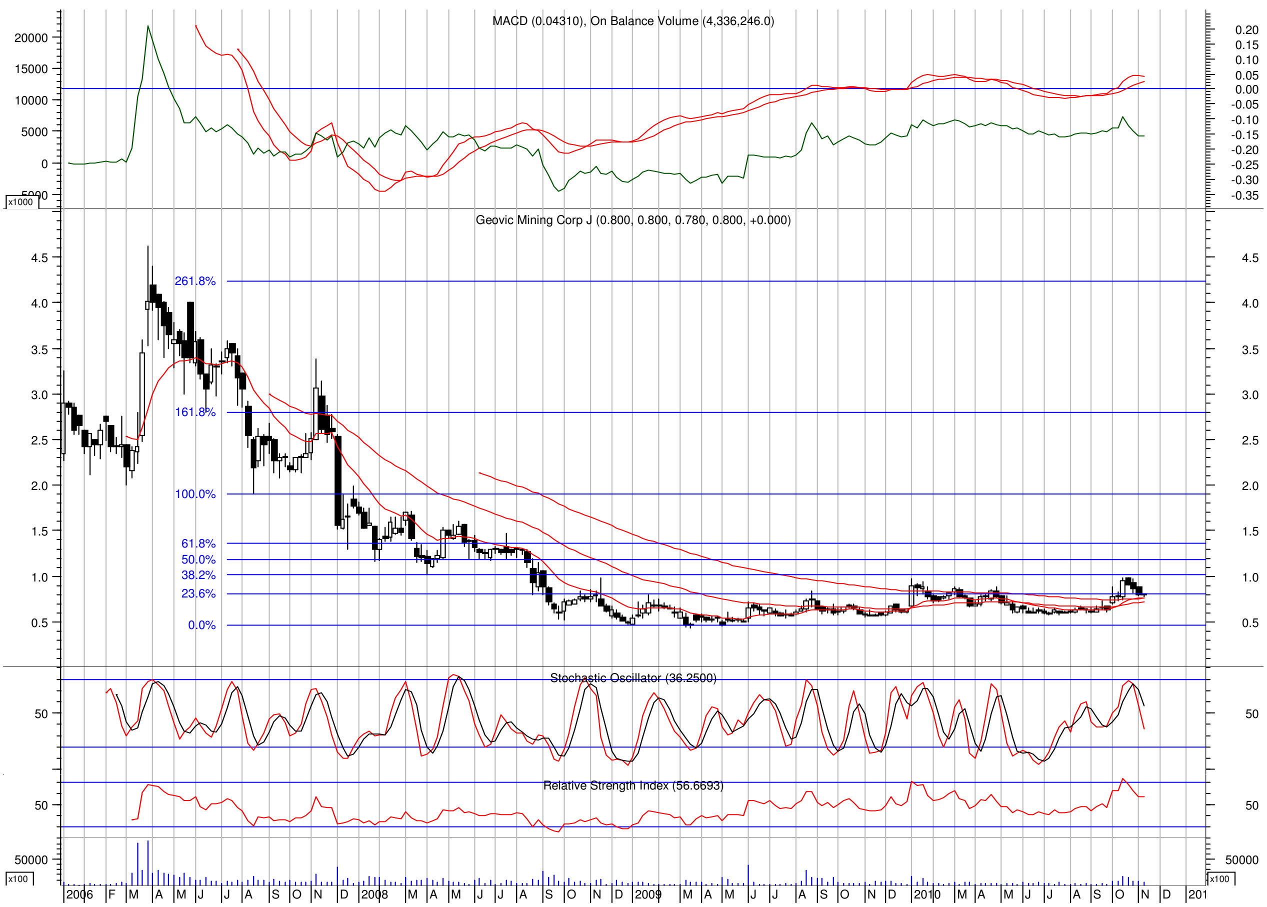
Junior Natural Resource Sector Research

November 11, 2010

Following the Smart Money into Cobalt

UPDATE

GEOVIC MINING CORP (GMC-TSX)



Daily chart, High $4.62, Low $0.435, Last trade $0.80

Controls one of the world's largest undeveloped cobalt properties
$40 million net cash (39 cents/share)

Geovic Mining Corp (GMC-TSX) is a U.S.-based company whose principal asset is a significant cobalt-nickel-manganese deposit in the Republic of Cameroon. Geovic aims to be the world’s largest primary producer of cobalt through its 60.5% ownership of Geovic Cameroon PLC (GeoCam). GeoCam’s Mine Permit provides exclusive production rights to seven large cobalt-nickel-manganese laterite deposits located on a 1,250 sq.km mine permit in southeast Cameroon, Africa.

The first and second of the seven deposits, Nkamouna and Mada, are currently under development. Nkamouna's proven and probable ore reserves are 54.7 million tonnes at average grades of 0.25% cobalt, 0.69% nickel, and 1.33% manganese. This reserve yields 11.7 million tonnes of concentrates grading 0.74% cobalt, 0.99% nickel, and 3.78% manganese suitable as a feedstock for the Company's unique processing facility. Additionally, GeoCam has 323 million tonnes of inferred resources at Nkamouna and Mada with grades of 0.21% cobalt, 0.61% nickel, and 1.25% manganese. Total measured and indicated resources increased by 97% due to the 2008-09 drilling program, with updated proven and probable reserves expected to be completed simultaneously with the updated Feasibility Study in December 2010.

A September 2008 Optimization Study to a 43-101 Technical Report dated January 17, 2008 estimated that the Nkamouna Project will deliver after-tax cash flow (discounted at 8%) of US $1,024 million (or $614 million net to Geovic's 60% interest), an IRR of 44%, and a payback of 1.9 years based on 100% equity financing and 3-year average metal prices (ended June 2008) of $26.57/lb cobalt and $12.39/lb nickel, respectively. Average operating costs during the first 19 years of production are estimated at $2.04 per pound of saleable cobalt, net of nickel and manganese byproduct credits.

The strength of the estimated project economics are attributed to the unique physical properties of these specific laterite deposits, and should be enhanced further by the addition of a circuit to process byproduct manganese.

During 2009-10, Geovic performed bench and pilot-scale tests aimed at increasing cobalt yields, reducing capital and operating costs, and lowering overall process risks. Based on the successful results of such tests, as well consideration of potentially manufacturing intermediate (instead of finished) cobalt and nickel products, Geovic Cameroon now anticipates reduced risks and capital costs.

In January 2010, a Feasibility Study Update (FSU) commenced, headed by Australian engineering group Lycopodium Minerals Pty. Ltd., targeting completion in December 2010. Following completion of the FSU, Geovic Cameroon aims to immediately target the securing of project financing and commencement of plant / mine construction.

In December 2009 Geovic engaged the U.K.-based Standard Chartered Bank as Financial Advisor to help it secure such financing, either in the form of a traditional debt/equity Project financing or via alternatives methods such as strategic partnerships or joint ventures.

Cobalt has many diverse applications, including rechargeable batteries for cell phones, computers, and hybrid electric vehicles, super-alloys for jet engines, chemicals, wear resistant alloys, catalysts, and magnets. Global cobalt demand in 2009 was 56,000 tonnes compared to 31,000 tonnes in 1997, and in mid-2010 cobalt prices were trading roughly in line with their 15-year average of $20/lb.

The Company is based in Denver, Colorado, and its common shares (GMC) and three series of warrants (GMC.WT, GMC.WTA and GMC.WTB) are traded on the Toronto Stock Exchange. Additionally, as of August 2008 the shares also trade in the U.S. on the OTC.BB under the ticker GVCM. Geovic is one of the few pure cobalt plays in the investment universe.

Our Initial Report was issued in May 2007. We put out a sell on Geovic November 14, 2007 when the shares were trading at $2.75, well-above our then-breakeven point of $2.46. We had already sold one-quarter of our position earlier at $4.05 to subscribe to their private placement. We sold our shares upon distribution of those comments. Our change of view was based on the buried disclosure in Geovic's Form 10-Q that the capital cost of the project would be around $400 million, a massive increase over the pre-feasibility number of $129 million we had relied on. On December 4 Geovic issued a news release and the numbers weren't pretty, although still economic, and the share price went into free-fall.

We kept our powder dry on Geovic, watching as the market eventually adjusted to the new expectations. With the backdrop of a sub-debt-inspired crisis and recession expectations, Geovic broke technical support and endured a triple-waterfall decline. All technical support areas broke as world markets reacted to the liquidity freeze and forced de-leveraging of the financial system. We took advantage of over-sold price levels and accumulated 250,000 shares in early December 2009 at an average price of $0.593/share as then disclosed.

The FSU release is expected next month and may be the trigger for a project financing arrangement. Meanwhile, Cobalt prices are steadily recovering from the 2008 resource sector collapse, having doubled off those lows. The following article helps explain why Geovic's cobalt deposits hold substantial value (especially to the Chinese).

The Democratic Republic of Congo and the Future of Cobalt Mining
Tue, Nov 9, 2010

Global demand for cobalt is growing and not showing any signs of slowing down, but with more of the world's supply originating from the politically volatile Democratic Republic of Congo (DRC) than any other region, its future market performance will be contingent not only on agreements between foreign companies and the Congolese government, but also on international action regarding the adverse working and environmental conditions of illegal mining operations.

Because cobalt is seldom found as a native metal, its production is strongly linked to the mining of parent minerals, most commonly nickel and copper. The DRC is by far the largest current producer of cobalt, particularly in the Katanga province of the Central African Copperbelt. Demand for cobalt has risen significantly in recent years due largely to its use in a variety of modern electronics, most notably as a component of rechargeable batteries used in hybrid electric vehicles.

The state-run mining company, Gecamines' (La Generale des Carrieres et des Mines) holdings in the Copperbelt contain the world's biggest concentrations of cobalt and copper metal in the world. Gecamines has attempted to improve its declining production figures from the Copperbelt by promoting several ailing mines and projects to foreign investors. In spite of this search for investors, the Congolese government has been selective when reviewing which foreign companies will be allowed to mine in the country.

In late December 2009, the DRC government closed Canadian-owed First Quantum Mineral's (TSE:FM) Kolwezi copper and cobalt project, claiming contract irregularities and production delays at the mine. The company lodged a complaint, but in late October 2010, the International Court of Arbitration in Paris sided with the DRC, making an interim decision allowing the country to sell the project.

It's not bad news for all foreign companies mining in the DRC, as government approval can mean a big boost in stock value and activity. On October 22, 2010, the Congolese Ministry of Mining approved the Canadian Lundin Mining Corporation's (TSE:LUN) mining contract, making the company the most traded stock on the Toronto Stock Exchange in anticipation of this announcement.

In October 2010, a trader from Standard Bank predicted cobalt prices could trend lower if large African expansion projects increase production. By the end of 2010, Africa is expected to account for 35,920 tonnes of cobalt output from 23,779 tonnes in 2009. World cobalt output this year is set to be 63,654 tonnes, up from 59,253 tonnes last year.

The London Metal Exchange began trading cobalt futures on February 22, 2010 and had a full launch on May 21, with the goal of introducing regulated exchange pricing, transparency, risk management and clearing. In this short time, cobalt prices have been quite volatile, from a low of around $37,000 per ton (16.78/lb) to a high of over $43,000 per ton ($19.50/lb).

Since the mid-1990s, eastern Congo has been home to a series of conflicts fueled by the region's mineral riches. **Almost half of the world's cobalt originates from the DRC, and human rights campaign The Enough Project estimates that 60 percent of the minerals are mined illegally, in dangerous underground conditions, with long hours and often by child laborers. There have also been documentation of profits from these illegal mining operations being used to fund various conflicting armed groups. Companies or individuals who buy minerals benefiting illegal armed groups in Congo may face sanctions under a 2008 UN resolution that was renewed in 2009.** Further complicating the issues, a large quantity of ore is exported and refined in China-the largest consumer of cobalt-containing products-without direct reporting of exactly where and under what conditions the ore was obtained.

There are cobalt mines outside of the DRC that do not pose the same ethical dilemmas in terms of documented human right issues. However, no producers outside of the DRC approach the volume of production needed to meet global demand.

With its near-surface deposits, Geovic's mines will have the advantage of relatively low capital costs and quick payback, even with lower metal prices. This lowers the risk profile of the opportunity, as other producers have significantly higher production and capital costs.

With cobalt trading in the US$20 per pound area (down from US$52 in 2008), and given the tight supply and strong demand dynamics, the opportunity right now is to take advantage of the so-called “smart” money’s poor timing back in 2007 – they bought high, current share price is still low.

The weekly chart accompanying this report clearly shows a breakout from a long technical base, and the current test of new support around the $0.75 level. The longer the base, the greater the move is a long time truism in this business, and given the recovery and commodities boom, it is only a matter of time when Geovic should join the party.